

INTRODUCTORY SECTION

OFFICIALS OF THE CITY OF LINCOLN

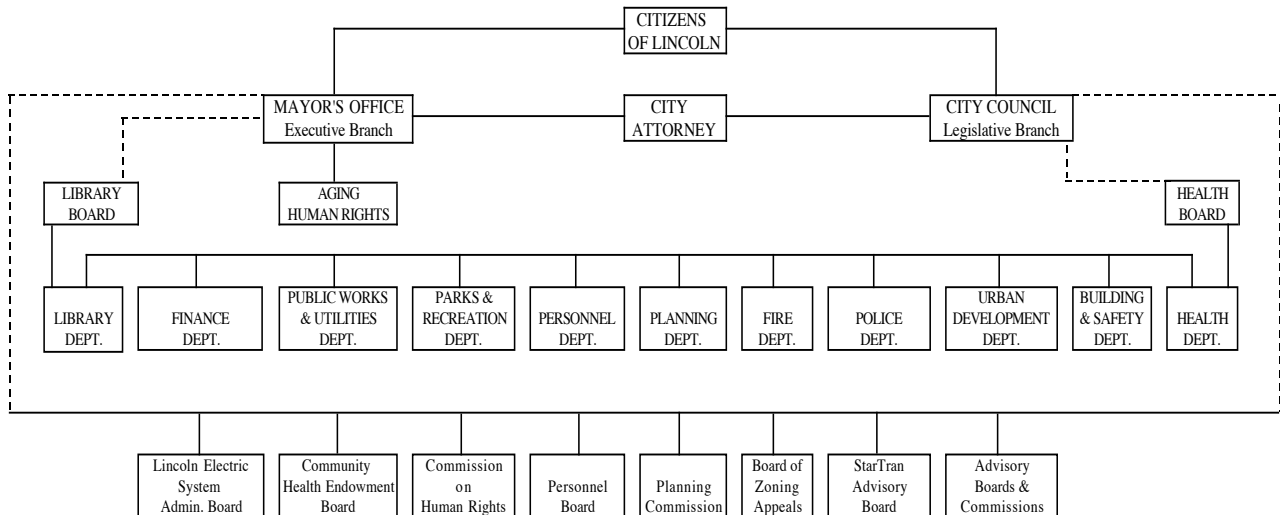
Coleen Seng.....	Mayor
Terry Werner.....	Chair, City Council
Ken Svoboda.....	Vice Chair, City Council
Jonathan Cook.....	Council Member
Glenn Friendt.....	Council Member
Annette McRoy.....	Council Member
Patte Newman.....	Council Member
Jon Camp.....	Council Member

* * * * *

Don Herz.....	Finance Director
Marvin Krout.....	Planning Director
Lynn Johnson.....	Parks and Recreation Director
Terry Bundy.....	Lincoln Electric System Administrator
Marc Wullschleger.....	Urban Development Director
Carol Connor.....	Library Director
Allan Abbott.....	Public Works/Utilities Director
Mike Merwick.....	Building and Safety Director
Bruce Dart.....	Health Director
Don Taute.....	Personnel Director
Dana Roper.....	City Attorney
Thomas Casady.....	Police Chief
Mike Spadt.....	Fire Chief

* * * * *

CITY OF LINCOLN ORGANIZATION CHART



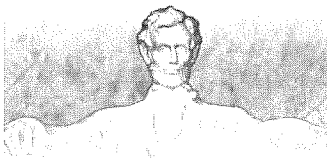
CITY OF LINCOLN, NEBRASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2004
TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>Page</u>
Title Page	
Officials of The City of Lincoln	i
City of Lincoln Organization Chart	i
Table of Contents	ii
Letter of Transmittal from the Mayor	vi
Letter of Transmittal from the Finance Director	viii
Certificate of Achievement for Excellence in Financial Reporting	xvi
FINANCIAL SECTION	
Independent Accountants' Report on Financial Statements and Supplementary Information	2
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund	23

	<u>Page</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – Street Construction Fund	25
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – Federal Grants Fund	26
Statement of Net Assets – Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	30
Statement of Cash Flows – Proprietary Funds	31
Statement of Fiduciary Net Assets – Fiduciary Funds	32
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	33
Notes to the Financial Statements	35
Combining and Individual Fund Statements and Schedules:	
Governmental Funds:	
Combined Balance Sheet – Nonmajor Governmental Funds	71
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	72
Subcombining Balance Sheet – Nonmajor Special Revenue Funds	76
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	78
Subcombining Balance Sheet – Nonmajor Debt Service Funds	82
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds	83
Subcombining Balance Sheet – Nonmajor Capital Projects Funds	86
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds	88
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis):	
Athletic Field & Facilities Improvement Fund	91
Lincoln City Libraries Fund	92
Lincoln Area Agency on Aging Fund	93
Lincoln/Lancaster County Health Fund	94
Snow Removal Fund	95

		<u>Page</u>
911 Communication Fund		96
Social Security Fund		97
StarTran Fund		98
Unemployment Compensation Fund		99
Keno Fund		100
Building And Safety Fund		101
Library Special Trust Fund		102
Tax Allocation Projects Debt Service Fund		103
Bond Interest and Redemption Debt Service Fund		104
Tax Supported Bonds Debt Service Fund		105
Community Health Permanent Endowment Fund		106
Proprietary Funds:		
Combining Statement of Net Assets – Nonmajor Enterprise Funds		108
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds		109
Combining Statement of Cash Flows – Nonmajor Enterprise Funds		110
Combining Statement of Net Assets – Internal Service Funds		112
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds		114
Combining Statement of Cash Flows – Internal Service Funds		116
Agency Funds:		
Combining Balance Sheet – Agency Funds		120
Combining Statement of Changes in Assets and Liabilities – Agency Funds		122
STATISTICAL SECTION	<u>Table</u>	<u>Page</u>
General Governmental Expenditures By Function Last Ten Fiscal Years	1	126
General Governmental Revenues By Source Last Ten Fiscal Years	2	126
Property Tax Levied And Collected Last Ten Years	3	126
Taxable Assessed Valuation Last Ten Years	4	127
Total Property Tax Levies All Direct And Overlapping Governments Last Ten Years	5	127
Special Assessment Collections Last Ten Fiscal Years	6	127

	<u>Table</u>	<u>Page</u>
City Sales Tax Information Last Ten Fiscal Years	7	128
Schedule Of Net General Obligation Bonded Debt In Relation To Population, Total Assessed Valuation, And Real Property Valuation Last Ten Fiscal Years	8	128
Computation Of Direct And Overlapping Debt - August 31, 2004	9	128
Ratio Of Annual Debt Service Expenditures For General Bonded Debt To Total General Governmental Expenditures Last Ten Fiscal Years	10	129
Revenue Bond Coverage Last Ten Fiscal Years	11	129
Demographic Statistics Last Ten Years	12	130
Property Value and Construction Last Ten Fiscal Years	13	130
Ten Largest Taxpayers	14	131
Miscellaneous Statistics - August 31, 2004	15	131
SINGLE AUDIT SECTION		
Schedule of Expenditures of Federal Awards		134
Notes to Schedule of Expenditures of Federal Awards		138
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		139
Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs		140
Schedule of Findings and Questioned Costs		142
Summary Schedule of Prior Audit Findings		144



CITY OF LINCOLN NEBRASKA

MAYOR COLEEN J. SENG

lincoln.ne.gov

Office of the Mayor
555 South 10th Street
Suite 208

Lincoln, Nebraska 68508

402-441-7511

fax: 402-441-7120

mayor@ci.lincoln.ne.us

January 20, 2005

Dear Citizens and Public Officials:

I am pleased to provide the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2004.

Discipline is the rule for the City of Lincoln finances. We enforce fiscal responsibility to stay within the operating budget. Our stable city government is an asset to Lincoln's overall economy.

Lincoln residents are proud of our City which continues to grow and prosper. The City's financial condition is good as reflected by the City's excellent bond ratings.

City Departments do an excellent good job of meeting the high demand for city services with limited resources. The City government is prudent in its use of taxpayers funds, as evidenced by the significant reduction in the city property tax rate during the past ten years.

Our ability to manage the City's fiscal affairs and ensure a full disclosure of the City's fiscal condition is exhibited by the unqualified audit opinion. I am proud to report that the 2003 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the twenty-first consecutive year. This is a complement to the City Finance Department staff for dealing with these complex accounting issues. We express thanks to the Finance Department staff and to all the city departments for their cooperation in preparing this document.

Sincerely,

Coleen J. Seng
Mayor of Lincoln

(THIS PAGE LEFT BLANK INTENTIONALLY)

January 19, 2005

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Lincoln:

Both the City Charter and State law require an annual audit of the City's funds and accounts be made by a recognized independent and qualified accountant covering all financial transactions, affairs, and financial condition of the City, with the audit report published within six months after the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report (CAFR) of the City of Lincoln, Nebraska for the fiscal year ended August 31, 2004, is hereby submitted.

Responsibility for both the accuracy of the data found in this report, and the completeness and fairness of the presentation, including all disclosures, rests with management. In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss, theft, or misuse, and to ensure the reliability of financial records for preparing financial statements in accordance with generally accepted accounting principles (GAAP) and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. The federal government, under the revised OMB Circular A-133, requires local governments that expend \$500,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. As part of the City's Single Audit, tests were made of the City's internal control structure over compliance and its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. The Single Audit for the year ended August 31, 2004, disclosed no material internal control weaknesses. The independent accountants' reports are included in the Single Audit section found at the end of the CAFR.

To the best of management's knowledge and belief, the enclosed data are accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities as specified by all currently effective statements of the Governmental Accounting Standards Board have been included.

A firm of licensed certified public accountants has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent accountants' concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that the City's financial statements for the fiscal year ended August 31, 2004, are fairly presented in conformity with GAAP.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found in the Financial Section immediately following the report of the independent accountants.

The City of Lincoln, capital city of Nebraska, was originally incorporated on April 7, 1869. Lincoln is located in the southeastern corner of the state, is midway between Chicago and Denver, and is currently one of the fastest growing metro areas in the Midwest. It occupies a land area of approximately 80 square miles, serves a population of over 238,000, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state's governmental and educational activities.

The City operates under a Home Rule Charter and has a Mayor-Council form of government with an elected full-time chief executive, the Mayor, and an elected legislative body, the Council, composed of seven members. Three Council members are elected at large and four by district on a nonpartisan basis for a term of four years. All legislative powers of the City are exclusively vested in the Council, as well as the power to adopt the budget, set the tax levy, and equalize taxes and assessments. The Mayor is responsible for the proper conduct of the affairs of the City, with the administration of City government performed under the direction of the Mayor through administrative departments.

The City of Lincoln provides a full range of services, including public safety (police and fire); the construction and maintenance of highways, streets, and other infrastructure; health; planning and zoning; golf courses, parks and recreation; urban development; mass transportation; ambulance transport; electric, water, and wastewater utilities, sanitary landfill; auditorium; parking facilities; and general administrative services.

The City Council exercises budgetary and/or rate setting authority over the City Library and Lincoln Electric System (LES), neither of which are legally separate from the City and are thus included as part of the primary government. The Lincoln Water System, Lincoln Wastewater System, Emergency Medical Services, Parking Lots, Parking Facilities, Golf Courses and Pershing Municipal Auditorium are all part of administrative departments under the direction of the Mayor and are included as part of the primary government. Separately audited financial statements are available for LES, Lincoln Water System, Lincoln Wastewater System, Emergency Medical Services, the City's Sanitary Landfill, and the Community Health Permanent Endowment Trust.

The annual budget serves as the basis for the City of Lincoln's financial planning and control. Following public hearings and not later than five days prior to the beginning of the fiscal year, the budget is legally adopted by resolution of the City Council. Appropriation controls are required at the department level, however, as a matter of policy and practice, appropriations generally are controlled at the next level of organization (division) or by fund within a department. The Mayor has the authority to transfer balances within a department as well as lower appropriations in any fund where actual revenues are less than appropriated in order to avoid incurring a budget deficit for the year. Appropriation transfers between departments may only be authorized by resolution of the City Council. The Council may not make any appropriations in addition to those authorized in the annual budget, except in the event of an emergency threatening serious loss of life, health, or property in the community.

Economic Condition And Outlook

Population growth is one of the best indicators of a community's economic well being. As such, the Lincoln metropolitan area's population growth during the past several years reflects a community that is economically viable and is strongly positioned to meet future challenges.

The Lincoln metropolitan area population base (Lancaster County) continues to demonstrate a pattern of sustained growth. According to the U. S. Census figures, the Lincoln metropolitan area population grew over 17% between 1990 and 2000, adding over 3,350 people to the community each year. The 1990 population of 213,641 reached 250,291 persons with the 2000 census, setting the County's annualized rate of population growth for the 1990's at 1.6 percent.

While such a growth rate may be modest by some standards, this healthy pace of expansion places Lincoln as one of the fastest growing communities in this region. Recent projections envision Lincoln to continue to grow at a rate of 1.5 percent per year. As importantly, the City of Lincoln continues to absorb about 90% of all growth in Lancaster County.

Despite a slow national and regional economy, Lincoln's growth has continued. Lincoln's unemployment rate at August 31, 2004 was 3.7%, well below the national average of 5.6%, with employment strongest in the categories

of government, services, and wholesale and retail trade. Lincoln's construction activity continues to demonstrate sustained growth as permits for all forms of new construction have risen 12% over the past 5 years with an increase in the value of construction permits of over \$187 million.

To more aggressively pursue economic opportunities, the City, Lancaster County, and LES have partnered to hire an economic development coordinator to facilitate job creation in the private sector. In addition, the Mayors Technology Council completed its technology audit, which led to a new strategic plan for economic development. Developing an identity and slogan for Lincoln is a vital part of that plan.

Current net sales and use tax revenue increased 6% over the previous fiscal year. Tax collections have been positively impacted by an improving local economy and an expansion of the sales tax base to include additional services.

Long-Term Planning And Major Initiatives

Urban Development

The City anticipates approximately \$35 million of public expenditures funded through various urban development projects and programs over the next three years. These projects are varied in type and size and are located in the Downtown and Haymarket areas, North 27th Street area, Havelock and University Place business areas, Focus Area neighborhoods, the Antelope Valley project area, and in low - moderate income areas throughout the City.

Financing will be provided by a variety of sources, including CDBG, HOME, and Nebraska Affordable Housing Trust Fund grants, Tax Increment Financing, Advanced Land Acquisition funds, Special Assessments, General Fund and Street Construction funds. Funding is often combined with developer, grant or other private sector funds.

The City's involvement will vary depending upon the project and could likely include property acquisition, relocation and demolition; housing rehabilitation and development; commercial development; and construction of public improvements including parking, sidewalks, infrastructure and streetscapes.

Ongoing and anticipated projects include:

- ◆ Downtown Redevelopment Projects:
 - 1) Redevelopment of Federal Place.
 - 2) Development of Douglas Grand, a 14 screen movie theater.
 - 3) Downtown I-180 entryway improvements.
 - 4) 12th Street arts corridor.
 - 5) Government Square park and streetscape improvement projects.
 - 6) Lincoln Mall streetscape project.
 - 7) Redevelopment of Douglas III and Cinema Twin theaters.
 - 8) Redevelopment of Salvation Army Building.
 - 9) Implementation of Haymarket 8th Street Corridor.
 - 10) Assist the Planning Department and Downtown Lincoln Association with the Downtown Master Plan and implementation of catalyst projects.
 - 11) Antelope Valley East Downtown hotel project.
 - 12) Haymarket Housing project at 7th and R Streets.
- ◆ The North 27th Street Corridor redevelopment projects include:
 - 1) Redevelopment of 27th Street north of the alley between O and P Streets to 26th Street.
 - 2) Redevelopment of the west side of 27th Street between S and T Streets.
 - 3) Construction of the pedestrian trail bridge at X Street.
 - 4) Infrastructure improvements around the Salvation Army Building on 27th and Potter Streets; including construction of a parking lot and pedestrian walking improvements to Pentzer Park.
 - 5) Redevelopment of the Carpenter's Union building at 1010 North 27th Street.
 - 6) Paving of alleys between 27th and 28th, Potter to Fair and between 28th and 29th, Clinton to Potter.
 - 7) Planting and irrigation of the North 27th Street medians.
- ◆ Implementation of selected Antelope Valley community revitalization catalyst projects as identified in the Antelope Valley Redevelopment Plan.
- ◆ Havelock Redevelopment on-going projects include streetscape improvements, pedestrian walkway and public parking lot redevelopment and beautification, alley resurfacing and/or repair.

- ◆ University Place Redevelopment includes streetscape improvements, the North 48th/University Place Concept Plan implementation, and redevelopment of the former Northeast Printers building.
- ◆ Housing rehabilitation and development programs:
 - 1) Continuation of First-time Homebuyer, Housing Development, and Owner-Occupied housing rehabilitation loan programs.
 - 2) Development of residential housing in Antelope Valley with the neighborhood “champion” for Antelope Valley, Neighborhoods Inc.
 - 3) Development of residential housing units in conjunction with downtown projects.
 - 4) Continue development of future phases of the affordable housing project, Old Mill Village, with Nebraska Housing Resource and plan the development of the next affordable housing project.
 - 5) Sustain the existing affordable rental housing stock by assisting on-going non-profit and tax credit projects.
- ◆ Housing Rehabilitation and Real Estate Division projects also include:
 - 1) Planning and negotiation for acquisition of park sites.
 - 2) Acquisition and negotiation projects –

<ul style="list-style-type: none"> ✓ South 14th Street widening and 14th and Warlick intersection improvements. ✓ Yankee Hill widening, 27th – 40th and South 27th, Yankee Hill to Whispering Wind. ✓ O Street widening, 84th to 46th Streets. ✓ South 84th Street Widening (3 phases). ✓ Vine Street widening, 22nd – 27th. ✓ Antelope Valley, 19th Street, K – Q, Big T project and North/South roadway. ✓ Antelope Valley storm water management, Phases I – III. ✓ Vine Street bridge replacement. ✓ Salt Valley trunk sewer phase III. ✓ Pine Lake Road widening, 40th – 59th. ✓ South 27th Street, Porter Ridge Road to south of Yankee Hill Road. 	<ul style="list-style-type: none"> ✓ South 56th Street, Old Cheney to Yankee Hill Road and Old Cheney Road, South 70th to 84th Streets. ✓ Pioneers Boulevard widening, 70th – 84th. ✓ Paving District 2626. ✓ Special assessment, executive order, and arterial rehab projects. ✓ Various projects in Public Works/Utilities 6-year program. ✓ Other Parks and Recreation projects city-wide. ✓ Title research of water transmission – Lincoln to Ashland. ✓ Antelope Valley Community Revitalization projects and concepts.
---	---
 - 3) Acquisition and disposition of surplus properties including tax sale lots, street and alley vacation, surplus park sites, surplus right-of-way, and other miscellaneous properties.
 - 4) Relocation projects including Antelope Valley Storm Management, Transportation, and Community Revitalization.
- ◆ Neighborhood Revitalization projects include: Focus Areas – Implementation of focus area public improvements. The focus areas are located in the Woods Park, Near South, Malone, Everett, Clinton, Downtown, North Bottoms, South Salt Creek and Hartley neighborhoods.
- ◆ The Workforce Investment Act (WIA) is federal legislation which took effect on July 1, 2000. Under this legislation, Mayor Coleen J. Seng is the designated Chief Elected Official working in conjunction with a 49 member Workforce Investment Board. This Board is constituted by law with a business majority. Other members represent community based organizations, education, economic development, organized labor, and program partner agencies. The Board and the Mayor developed a local plan to implement WIA that was approved by the State of Nebraska.

WIA has provided nearly \$1.2 million over the past year to the workforce investment area of Lancaster and Saunders Counties. WIA services are provided from the One Stop Career Center, located in downtown Lincoln. During the year, over 26,000 customer visits were made to the Center. A computer lab was opened in the center during the year, serving both job seekers and businesses. Efforts are underway to further align WIA services with local economic development plans and to increase the level of services to businesses in the workforce area.

Antelope Valley Project

The City of Lincoln, Lower Platte South Natural Resources District and the University of Nebraska-Lincoln have jointly partnered with the Lincoln community to develop a set of strategies to strengthen the historical center of Nebraska's Capital City. The new stormwater, transportation and community revitalization strategies have been incorporated into the Antelope Valley Amended Draft Single Package and formally approved by all three of the sponsoring governmental entities. The Joint Antelope Valley Authority (JAVA) has also submitted an Environmental Impact Statement (EIS) proposing defined projects as the action that best satisfies the purposes and needs with the least adverse environmental impacts. The EIS was approved by a Record of Decision by the Federal Highway Administration on October 31, 2001.

When implemented the Antelope Valley Projects will provide significant benefits to the State of Nebraska. Recognizing these benefits, the State Legislature authorized and appropriated one million dollars each state fiscal year, for a period of 15 years, to the City of Lincoln to fund the various projects. The City is required to provide matching funds equal to the ratio of one dollar for each three dollars of the State distribution.

The Antelope Valley Projects include community revitalization strategies in the project area and the implementation of the Closer to Home Strategies, developed by neighborhood residents and the City's Urban Development Department, which includes street, alley, and curb improvements, housing rehabilitation, and neighborhood clean-ups. Additional community revitalization strategies will be further defined as part of the Redevelopment Plan process, and will include housing relocation, commercial development and strategies to further strengthen existing neighborhoods.

Other projects identified are the construction of the approximately 6.2 mile Antelope Valley Roadway, which includes an overpass over the mainline railway south of the Bob Devaney Center, an expanded 19th Street corridor, changing some streets from minor arterials to urban collectors and local streets, and reduction of the rail/vehicular/pedestrian conflicts at street crossings.

Also included is the implementation of the Antelope Valley flood control project by constructing a new, open channel to contain the waters of a designated "100-year" rainfall event. The new channel will be developed in a park-like atmosphere and a trail will be constructed along the length of the channel.

Work has been completed on two projects that are part of the overall Antelope Valley Project. The Northeast Community Park (Fleming Field) project, located near 32nd and Leighton Streets, began in July 2003. This park, which was ready for play in the Spring of 2004, provides replacement ball fields for those University fields at 19th and Vine Streets that will be displaced due to the channel and roadway construction. Work began in January 2003 and was substantially completed in November 2003 on the first section of channel work between Salt Creek and the BNSF Railway.

Work began in September 2003 and was substantially completed in August 2004 on the Military Bridge and Roadway Project. This project provides a single intersection at 14th Street, Military Road and the State Fair Park entrance, which becomes the new main entrance.

Work also began in September 2003 on the Y Street Bridge and Roadway Project. This project provides a new connection of Y Street to 16th Street and provides a new routing of 17th Street in preparation for the new overpass over the BNSF Railway south of the Devaney Center. This project will be completed in the Spring of 2005.

Work began in March 2004 on the Vine Street Bridge and Roadway Project. This project provides a new bridge over the Antelope Creek on Vine Street as well as a new roadway between 17th and 22nd Streets. The project connects to a new City rehabilitation project between 22nd and 27th Streets. Work on Vine Street is scheduled for completion by August 2005.

In October 2004, work began on the Big T Project. This project will provide a new north-south overpass of the BNSF Railway south of the Devaney Center and the west leg of the new east-west overpass. Work is scheduled to be completed by December 2006.

Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately \$115,996,000 over the 6-year period of fiscal year 2004-05 through fiscal year 2009-10. Of that total, approximately \$40,000 will be financed by developer contributions, approximately \$94,374,000 will be financed by revenue bonds, approximately \$2,470,000 will be financed by impact fees, approximately \$1,677,000 is to be funded with grant funds, with the remaining \$17,435,000 to come from charges for services. The majority of these dollars are needed for replacement and maintenance of existing infrastructure, new infrastructure to serve development in various basins throughout the City, and improvements to both the Theresa Street and Northeast treatment plants.

Water System

The Lincoln Water System is projecting a capital improvements program in the amount of \$108,939,000 over the 6-year period of fiscal year 2004-05 through 2009-10. Of these dollars, approximately \$92,351,000 will be financed through revenue bonds, approximately \$444,000 will be financed through developer contributions, approximately \$5,000,000 will be financed through impact fees, with the balance of \$11,144,000 coming from charges for services. The major projects contributing to these total dollars include the installation of transmission lines, replacement mains, replacement and new wells, and additional storage reservoirs.

Streets And Highways

The 2005-2010 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of over \$51.5 million for the next six years. Funding for these projects includes \$144 million in City revenues, \$41 million in federal aid, and \$124 million in other funds.

Infrastructure Impact Fees

The City's growth in both population and employment have created demands for new residential and nonresidential development, which in turn creates the need for additional public facilities, including water and wastewater systems, arterial streets, and neighborhood parks and trails. Under the City's current laws, taxes, fees, utility charges, and other forms of revenue generated from new development do not provide sufficient funds to finance these new facilities.

In response to these funding needs the City of Lincoln passed an ordinance to provide for the imposition of impact fees to ensure that facilities are available to serve new growth and that new development bears its proportionate share of the cost of improvements to the City's facilities. Impact fees for all types of new construction have been set and adopted by the City Council and began June, 2003.

Property Tax Collections

As of August 31, 2004, current tax collections by the County Treasurer were 96.57% of the tax levy, an increase of .37% from last year. Allocations of property tax levy by purpose are as follows:

<u>City Tax Levy By Purpose</u>	<u>2003-2004</u>	<u>2002-2003</u>	<u>2001-2002</u>
General Fund	.16962	.17570	.17798
Library	.04866	.05345	.05219
Social Security	.01431	.01616	.01527
Police and Fire Pension	.01491	.01492	.01261
General Obligation Debt	.04350	.05429	.05647

Parking Facilities

The City of Lincoln operates the following parking garages:

	<u>Number of Stalls</u>	<u>Date Opened</u>
Center Park	1,048	November, 1978
Cornhusker Square	405	December, 1983
University Square	436	April, 1990
Que Place	773	October, 1994
Carriage Park	710	February, 1995
Market Place	433	August, 2000
Haymarket	420	August, 2002

The City's parking garages have been built to promote downtown redevelopment efforts by working with private industry in providing necessary parking to various businesses in the downtown area.

Revenue generated by the parking facilities and on-street parking meters, as well as unappropriated street construction funds, are pledged for debt service of both the 2001 Parking Revenue Bonds and the 1999 Parking Revenue and Refunding Bonds. Comparative data for the past two fiscal years are presented in the following table:

	<u>2003-2004</u>	<u>2002-2003</u>
Operating Revenue	\$ 5,325,668	5,035,564
Operating Income Before Depreciation	2,592,176	2,730,932
On-Street Parking Meter Revenue	835,000	835,000
Revenue Available For Debt Service	3,427,176	3,565,932
Debt Service	2,160,650	2,160,650
Debt Service Coverage Ratio	1.59	1.65

Sanitary Landfill

The City of Lincoln owns and operates a solid waste disposal area and a construction and demolition disposal area which are subject to the U.S. Environmental Protection Agency rule *Solid Waste Disposal Facility Criteria*, which establishes closure and postclosure care requirements. As of August 31, 2004, the City estimates that it will incur costs approximating \$15 million to adhere to such requirements (see Note 17 of Notes to the Financial Statements).

Water And Wastewater System

The City's Water Utility System showed an increase in operating revenue and an increase in operating income. Comparative data for the past two fiscal years is presented in the following table:

<u>Water System</u>	<u>2003-2004</u>	<u>2002-2003</u>
Operating Revenue	\$22,168,258	20,883,159
Operating Income	3,901,083	3,855,663
Revenue Available For Debt Service	10,463,376	9,902,469
Debt Service	5,526,632	5,908,489
Debt Service Coverage Ratio	1.89	1.68

The City's Wastewater Utility System showed an increase in operating revenue and an increase in operating income. Comparative data for the past two fiscal years is presented in the following table:

<u>Wastewater System</u>	<u>2003-2004</u>	<u>2002-2003</u>
Operating Revenue	\$16,011,984	14,691,905
Operating Income	1,537,738	1,486,755
Revenue Available For Debt Service	9,028,879	6,699,374
Debt Service	3,883,704	1,299,222
Debt Service Coverage Ratio	2.32	5.16

Lincoln Electric System (LES)

The City owns and operates its own electric utility system that is managed by an administrative board. Actions of the board with regard to rates, budgets, and long-term financing are subject to final review and approval by the City Council. In accordance with Section 2.55.090 of the Lincoln Municipal Code, LES operates on a January 1 - December 31, fiscal year. Audited financial information as of and for LES' fiscal year ended December 31, 2003, is included in the City's August 31, 2004, financial statements.

Certificate Of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincoln, Nebraska, for its comprehensive annual financial report for the fiscal year ended August 31, 2003. This was the twenty-first consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. I would also like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Don Herz
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lincoln,
Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

(THIS PAGE LEFT BLANK INTENTIONALLY)